

# **C. W. MACKIE PLC**



## **INTERIM REPORT SIX MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2012**

**1<sup>st</sup> November 2012**



**C.W. Mackie PLC  
Income Statement**

**Company**  
*For the*

**Three months ended 30<sup>th</sup> September**

**Six months ended 30<sup>th</sup> September**

	<b>2012 Unaudited Rs. 000's</b>	2011 Unaudited Rs.000's	<b>Variance %</b>	<b>2012 Unaudited Rs. 000's</b>	2011 Unaudited Rs.000's	<b>Variance %</b>
<b>Revenue</b>	<b>1,543,553</b>	1,941,931	<b>(20.51)</b>	<b>3,210,091</b>	3,536,228	<b>(9.22)</b>
Cost of sales	<b>(1,378,001)</b>	<u>(1,753,138)</u>	<b>(21.40)</b>	<b>(2,821,675)</b>	<u>(3,169,181)</u>	<b>(10.97)</b>
<b>Gross profit</b>	<b>165,552</b>	188,793	<b>(12.31)</b>	<b>388,416</b>	367,047	<b>5.82</b>
Other operating income	<b>14,884</b>	17,031	<b>(12.61)</b>	<b>35,878</b>	23,371	<b>53.52</b>
Distribution expenses	<b>(91,030)</b>	(84,450)	<b>7.79</b>	<b>(183,060)</b>	(164,078)	<b>11.57</b>
Administrative expenses	<b>(40,376)</b>	<u>(33,579)</u>	<b>20.24</b>	<b>(81,837)</b>	<u>(67,460)</u>	<b>21.31</b>
<b>Profit from operations</b>	<b>49,030</b>	87,795	<b>(44.15)</b>	<b>159,397</b>	158,880	<b>0.33</b>
Net financing costs	<b>(3,044)</b>	<u>(839)</u>	<b>262.81</b>	<b>(6,261)</b>	<u>(10,395)</u>	<b>(39.77)</b>
<b>Profit before taxation</b>	<b>45,986</b>	86,956	<b>(47.12)</b>	<b>153,136</b>	148,485	<b>3.13</b>
Taxation	<b>(15,640)</b>	<u>(33,000)</u>	<b>(52.61)</b>	<b>(28,640)</b>	<u>(43,500)</u>	<b>(34.16)</b>
<b>Profit for the period</b>	<b>30,346</b>	<u>53,956</u>	<b>(43.76)</b>	<b>124,496</b>	<u>104,985</u>	<b>18.58</b>
<b>Basic earnings per share (Rupees)</b>	<b>0.84</b>	<u>1.50</u>		<b>3.46</b>	<u>2.92</u>	
<b>Dividend per share (Rupees)</b>	<b>1.00</b>	<u>1.00</u>		<b>1.00</b>	<u>1.00</u>	

**Group**  
*For the*

**Three months ended 30<sup>th</sup> September**

**Six months ended 30<sup>th</sup> September**

	<b>2012 Unaudited Rs. 000's</b>	2011 Unaudited Rs.000's	<b>Variance %</b>	<b>2012 Unaudited Rs. 000's</b>	2011 Unaudited Rs.000's	<b>Variance %</b>
<b>Revenue</b>	<b>1,772,622</b>	2,620,471	<b>(32.35)</b>	<b>3,786,115</b>	5,016,474	<b>(24.53)</b>
Cost of sales	<b>(1,609,166)</b>	<u>(2,372,638)</u>	<b>(32.18)</b>	<b>(3,376,262)</b>	<u>(4,504,470)</u>	<b>(25.05)</b>
<b>Gross profit</b>	<b>163,456</b>	247,833	<b>(34.05)</b>	<b>409,853</b>	512,004	<b>(19.95)</b>
Other operating income	<b>16,026</b>	13,255	<b>20.91</b>	<b>29,266</b>	22,042	<b>32.77</b>
Distribution expenses	<b>(85,929)</b>	(84,708)	<b>1.44</b>	<b>(177,696)</b>	(165,672)	<b>7.26</b>
Administrative expenses	<b>(54,630)</b>	<u>(44,303)</u>	<b>23.31</b>	<b>(107,515)</b>	<u>(88,477)</u>	<b>21.52</b>
<b>Profit from operations</b>	<b>38,923</b>	132,077	<b>(70.53)</b>	<b>153,908</b>	279,897	<b>(45.01)</b>
Net financing costs	<b>(11,116)</b>	<u>(12,863)</u>	<b>(13.58)</b>	<b>(22,597)</b>	<u>(34,484)</u>	<b>(34.47)</b>
<b>Profit before taxation</b>	<b>27,807</b>	119,214	<b>(76.67)</b>	<b>131,311</b>	245,413	<b>(46.49)</b>
Taxation	<b>(16,278)</b>	<u>(37,050)</u>	<b>(56.06)</b>	<b>(30,278)</b>	<u>(60,200)</u>	<b>(49.70)</b>
<b>Profit for the period</b>	<b>11,529</b>	<u>82,164</u>	<b>(85.97)</b>	<b>101,033</b>	<u>185,213</u>	<b>(45.45)</b>
<b>Attributable to:</b>						
Equity holders of the parent company	<b>11,599</b>	80,500	<b>(85.59)</b>	<b>97,520</b>	182,688	<b>(46.62)</b>
Minority interests	<b>(70)</b>	1,664	<b>(104.21)</b>	<b>3,513</b>	2,525	<b>39.13</b>
	<b>11,529</b>	<u>82,164</u>		<b>101,033</b>	<u>185,213</u>	
<b>Basic earnings per share (Rupees)</b>	<b>0.32</b>	<u>2.24</u>		<b>2.71</b>	<u>5.08</u>	
<b>Dividend per share (Rupees)</b>	<b>1.00</b>	<u>1.00</u>		<b>1.00</b>	<u>1.00</u>	

*Figures in brackets indicate deductions.*



**C.W. Mackie PLC  
Balance Sheet**

As at	Company		Group	
	30 <sup>th</sup> September 2012 Unaudited Rs.000's	31 <sup>st</sup> March 2012 Audited Rs.000's	30 <sup>th</sup> September 2012 Unaudited Rs.000's	31 <sup>st</sup> March 2012 Audited Rs.000's
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	316,261	319,947	787,308	790,456
Leasehold property	95,548	99,796	95,548	99,796
Investment property	44,719	46,729	44,719	46,729
Investments in subsidiaries	507,296	535,175	-	-
Other investments	327	327	327	327
Deferred tax asset	-	-	4,652	4,652
Retirement benefit asset	-	-	700	149
Total non-current assets	964,151	1,001,974	933,254	942,109
<b>Current assets</b>				
Inventories	450,575	512,932	601,822	651,352
Trade and other receivables	849,606	1,372,437	1,037,754	1,741,034
Amount due from related parties	58,893	154,811	26,181	-
Cash and cash equivalents	47,963	43,987	66,465	48,084
Total current assets	1,407,037	2,084,167	1,732,222	2,440,470
<b>Total assets</b>	<b>2,371,188</b>	<b>3,086,141</b>	<b>2,665,476</b>	<b>3,382,579</b>
<b>Equity and liabilities</b>				
Stated capital	507,047	507,047	507,047	507,047
Capital reserves	715,077	758,501	546,803	562,316
Revenue reserves	492,457	388,437	662,421	585,377
Total capital and reserves	1,714,581	1,653,985	1,716,271	1,654,740
Minority interests	-	-	33,181	29,778
	1,714,581	1,653,985	1,749,452	1,684,518
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Interest bearing long term borrowings	-	-	-	-
Lease payable after one year	1,719	4,254	108,486	98,816
Retirement benefit obligation	2,183	2,418	10,776	11,549
Deferred tax liability	35,524	35,524	50,976	50,976
Total non-current liabilities	39,426	42,196	170,238	161,341
<b>Current liabilities</b>				
Current portion of long term borrowings	32,140	32,114	32,140	32,114
Lease payable within one year	4,870	4,590	22,060	35,068
Interest bearing short term borrowings	249,062	731,190	324,262	806,190
Income tax payable	22,218	85,686	32,137	101,807
Trade and other payables/provisions	215,883	459,933	252,192	512,809
Amount due to related parties	27,099	43,022	-	-
Bank overdrafts	65,909	33,425	82,995	48,732
Total current liabilities	617,181	1,389,960	745,786	1,536,720
<b>Total equity and liabilities</b>	<b>2,371,188</b>	<b>3,086,141</b>	<b>2,665,476</b>	<b>3,382,579</b>
Net asset value per share (Rs.)	47.64	45.96	47.69	45.98

Note : The above figures are subject to audit.

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Signed

**A. I. Piyadigama**  
Chief Financial Officer

The Board of Directors are responsible for preparation and presentation of these financial statements.

Signed  
**W.T. Ellawala**  
Director

1<sup>st</sup> November 2012

Signed  
**A.M. de S. Jayaratne**  
Director



**C.W. Mackie PLC**  
**Statement of Changes in Equity**

**For the six months ended 30<sup>th</sup> September**

**Company**

	Stated capital Rs.000's	Capital reserves Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total equity Rs.000's
<b>Balance as at 1<sup>st</sup> April 2011</b>	507,047	655,571	7,000	173,242	1,342,860
Adjustment due to change in fair value	-	77,704	-	-	77,704
Transfer from revaluation reserve to retained earnings ( <b>Note A</b> )	-	(15,513)	-	15,513	-
Profit for the period	-	-	-	104,985	104,985
Interim Dividend 2010/11	-	-	-	(35,989)	(35,989)
<b>Balance as at 30<sup>th</sup> September 2011</b>	<u>507,047</u>	<u>717,762</u>	<u>7,000</u>	<u>257,751</u>	<u>1,489,560</u>
<b>Balance as at 1<sup>st</sup> April 2012</b>	507,047	758,501	7,000	381,437	1,653,985
Adjustment due to change in fair value	-	(27,911)	-	-	(27,911)
Transfer from revaluation reserve to retained earnings ( <b>Note A</b> )	-	(15,513)	-	15,513	-
Profit for the period	-	-	-	124,496	124,496
Final Dividend 2011/12	-	-	-	(35,989)	(35,989)
<b>Balance as at 30<sup>th</sup> September 2012</b>	<u>507,047</u>	<u>715,077</u>	<u>7,000</u>	<u>485,457</u>	<u>1,714,581</u>

**For the six months ended 30<sup>th</sup> September**

<b>Group</b>	<b>Attributable to equity holders of the parent company</b>						
	Stated capital Rs.000's	Capital reserves Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total Rs.000's	Minority interests Rs.000's	Total equity Rs.000's
<b>Balance as at 1<sup>st</sup> April 2011</b>	507,047	577,829	7,000	251,739	1,343,615	27,545	1,371,160
Transfer from revaluation reserve to retained earnings ( <b>Note A</b> )	-	(15,513)	-	15,513	-	-	-
Profit for the period	-	-	-	182,688	182,688	2,525	185,213
Interim Dividend 2010/11	-	-	-	(35,989)	(35,989)	-	(35,989)
<b>Balance as at 30<sup>th</sup> September 2011</b>	<u>507,047</u>	<u>562,316</u>	<u>7,000</u>	<u>413,951</u>	<u>1,490,314</u>	<u>30,070</u>	<u>1,520,384</u>
<b>Balance as at 1<sup>st</sup> April 2012</b>	507,047	562,316	7,000	578,377	1,654,740	29,778	1,684,518
Transfer from revaluation reserve to retained earnings ( <b>Note A</b> )	-	(15,513)	-	15,513	-	-	-
Profit for the year	-	-	-	97,520	97,520	3,513	101,033
Subsidiary company dividend to minority shareholders	-	-	-	-	-	(110)	(110)
Final Dividend 2011/12	-	-	-	(35,989)	(35,989)	-	(35,989)
<b>Balance as at 30<sup>th</sup> September 2012</b>	<u>507,047</u>	<u>546,803</u>	<u>7,000</u>	<u>655,421</u>	<u>1,716,271</u>	<u>33,181</u>	<u>1,749,452</u>

Figures in brackets indicate deductions.

**Note A**

The revaluation surplus relating to buildings on leasehold land is transferred to retained earnings over the remaining lease period of the land.



**C.W. Mackie PLC**  
**Cash Flow Statement**

	Company		Group	
	2012 Rs. 000's	2011 Rs.000's	2012 Rs. 000's	2011 Rs.000's
<b>For the six months ended 30<sup>th</sup> September</b>				
<b>Cash flows from operating activities</b>				
Profit before taxation	153,136	148,485	131,311	245,413
<i>Adjustments for :</i>				
Depreciation	19,020	17,318	32,144	24,757
Profit on disposal of property, plant and equipment	(3,226)	(5,912)	(9,723)	(7,120)
Profit on disposal of long term investments	-	(2,830)	-	(2,830)
Provision for retirement benefit	1,915	1,558	1,966	1,668
Interest cost	56,331	39,598	44,933	49,108
Interest income	(30,905)	(17,766)	(557)	(179)
Dividend income	(8,533)	(19)	(32)	(19)
<b>Operating profit before working capital changes</b>	<b>187,738</b>	<b>180,432</b>	<b>200,042</b>	<b>310,798</b>
<b>Changes in working capital</b>				
(Increase)/decrease in trade and other receivables	522,831	151,059	703,280	144,014
(Increase)/decrease in amount due from related parties	95,918	56,660	(26,181)	-
(Increase)/decrease in inventories	62,357	69,889	49,530	124,929
Increase/(decrease) in trade and other payables/provisions	(244,152)	(202,039)	(260,617)	(199,036)
Increase/(decrease) in amount due to related parties	(15,923)	64,976	-	-
Cash generated from operations	608,769	320,977	666,054	380,705
Interest paid	(55,336)	(38,603)	(35,388)	(41,983)
Payments to gratuity fund	(2,726)	(6,000)	(4,415)	(6,600)
Income tax/ESC paid	(92,108)	(45,405)	(99,948)	(55,353)
<b>Net cash flows from operating activities</b>	<b>458,599</b>	<b>230,969</b>	<b>526,303</b>	<b>276,769</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(8,267)	(4,539)	(9,785)	(5,085)
Proceeds from disposal of property, plant and equipment	3,250	6,013	9,747	7,221
Proceeds from disposal of long term investments	-	2,905	-	2,905
Dividend received	8,533	19	32	19
<b>Net cash flows from investing activities</b>	<b>3,516</b>	<b>4,398</b>	<b>(6)</b>	<b>5,060</b>
<b>Cash flows from financing activities</b>				
Short term borrowings obtained/(repayments)	(482,128)	(90,647)	(481,928)	(100,647)
Lease rental paid	(3,411)	(3,411)	(24,819)	(17,928)
Interest received	30,905	17,766	557	179
Dividend paid	(35,989)	(35,989)	(35,989)	(35,989)
<b>Net cash flows from financing activities</b>	<b>(490,623)</b>	<b>(112,281)</b>	<b>(542,179)</b>	<b>(154,385)</b>
<b>Net changes in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of the year	10,562	(79,867)	(648)	(95,614)
<b>Cash and cash equivalents at the end of the year (Note A)</b>	<b>(17,946)</b>	<b>43,219</b>	<b>(16,530)</b>	<b>31,830</b>
<b>Note A</b>				
Cash and cash equivalents	47,963	114,671	66,465	125,714
Bank overdrafts	(65,909)	(71,452)	(82,995)	(93,884)
	(17,946)	43,219	(16,530)	31,830

Figures in brackets indicate deductions.



**C.W. Mackie PLC**  
**Notes to the Interim Financial Statements**

**1. Segmental Information – Group**

*For the six months ended 30<sup>th</sup> September*

	Revenue		Segmental Profit	
	2012	2011	2012	2011
Export trading	1,078,149	1,619,519	74,407	101,533
Manufacture for export	579,453	1,481,331	47,304	143,983
Domestic trading	2,127,140	1,914,251	287,168	265,514
Other	1,373	1,373	974	974
	<b>3,786,115</b>	<b>5,016,474</b>	<b>409,853</b>	<b>512,004</b>
Other operating income			29,266	22,042
Operating overheads			(285,211)	(254,149)
Net finance costs			(22,597)	(34,484)
Taxation			(30,278)	(60,200)
<b>Net profit for the period</b>			<b>101,033</b>	<b>185,213</b>

(Rs.000's)

**2. Basis of Preparation**

The Company and its subsidiaries follow the same accounting policies as in the Annual Report for the year ended 31<sup>st</sup> March 2012.

Income Statement for the period ended 30<sup>th</sup> September 2012 and the Balance Sheet as at 30<sup>th</sup> September 2012 have been drawn up from unaudited accounts of the Company and its subsidiary companies and prepared in accordance with Sri Lanka Accounting Standards (SLAS 35). These provide the information required by the Listing Rules of the Colombo Stock Exchange.

The presentation and classification of the financial statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.

**3. Contingent Liabilities and Capital Commitments**

There has not been a significant change neither in the nature of the contingent liabilities nor in the capital commitments, which were disclosed in the Annual Report for the year ended 31<sup>st</sup> March 2012.

**4. Events After the Balance Sheet Date**

Subsequent to the date of the balance sheet, no circumstances have arisen that would require adjustment or disclosure in the financial statements.

**5. Dividends Paid**

A final dividend of Rs. 1/- per share amounting to Rs. 35,988,556/- for the financial year ended 31<sup>st</sup> March 2012 authorised for distribution by the Directors was approved by the shareholders of the Company at the Annual General Meeting held on 27<sup>th</sup> June 2012 and was paid to the Shareholders on 9<sup>th</sup> July 2012.

**6. Effect of New Accounting Standards issued**

Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, all existing Sri Lanka Accounting Standards will be prefixed as SLFRS or LKAS which refers to Sri Lanka Accounting Standards corresponding to IFRS or IAS, respectively.

In accordance with the ruling issued by the Institute of Chartered Accountants of Sri Lanka on "Comparative figures in the interim financial statements", the C.W.Mackie PLC Group has adopted option 2 as given in such ruling in terms of which these interim financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLAS) that existed immediately prior to 1<sup>st</sup> January 2012. Group is currently in the process of evaluating the potential effects of these standards on its financial statements. Accordingly following areas will create an impact to the Statement of Comprehensive Income for the period and Net Assets of the Company based on SLFRS/LKAS:

Areas that will create an impact to the Statement of Comprehensive Income

- Impairment on trade receivables
- Measurement of finance leases at effective interest rate



**6. Effect of New Accounting Standards issued (Contd.)**

Areas that will create an impact on Other Comprehensive Income

- Measurement of available for sale securities at fair value
- Actuarial gain/loss on employee benefits

Areas that will create an impact to the Net Assets

- Derecognition of leasehold property
- Measurement of investment property under revaluation module
- Measurement of investment in subsidiary companies under cost module
- Recognition of actuarial gain/loss on employee benefits, immediately in the other comprehensive income statement
- Impairment on trade receivables
- Measurement of finance leases at effective interest rate

However financial statements based on Sri Lanka Accounting Standards (SLFRS/LKAS) will be prepared for the year ending 31<sup>st</sup> March 2013.

**7. Share Information**

**7.1 Twenty Largest Shareholders as at 30<sup>th</sup> September 2012**

	Name of Shareholder	No. of Ordinary Shares (Voting)	%
1	Lankem Ceylon PLC	12,267,526	34.09
2	Seylan Bank PLC/Dr. T. Senthilverl	10,765,575	29.91
3	Kotagala Plantations PLC	7,157,857	19.89
4	Pan Asia Banking Corporation PLC/Lankem Ceylon PLC	1,779,285	4.94
5	Amana Bank Limited	459,507	1.28
6	Mr. P.Anandarajah	160,200	0.45
7	Navara Capital Limited	155,100	0.43
8	Mr. M.A. Lukmanjee	155,000	0.43
9	Nuwara Eliya Property Developers (Pvt.) Ltd.	138,900	0.39
10	Mr. T.L.M. Intiaz	135,901	0.38
11	Mr. M. Radhakrishnan	130,000	0.36
12	Mr. M.M. Fuad	128,428	0.36
13	Mr.H.N. De Silva	125,000	0.35
14	Sir F.I. Rahimtoola	90,000	0.25
15	Employees Provident Fund	89,700	0.25
16	Mr. M.M. Mohamed Makeen	66,027	0.18
17	Mr. C.R.D. Fernando	65,558	0.18
18	Mr. Z.G. Carimjee	57,000	0.16
19	Mr. R.A. Rishard	54,100	0.15
20	Andaradeniya Estate Private Limited	50,000	0.14

**7.2** Percentage of public holding as at 30<sup>th</sup> September 2012 is 11.17%

**7.3 Directors' Holding in Shares**

Name of Director	No. of Shares As at	No. of Shares As at
	30 <sup>th</sup> September 2012	30 <sup>th</sup> September 2011
W. T. Ellawala (Chairman/CEO)	500	500
Ms. C.R. Ranasinghe	100	100
A.M. de S. Jayaratne	Nil	Nil
R. C. Peries	Nil	Nil
Anushman Rajaratnam	Nil	Nil
S. D. R. Arudpragasam	Nil	Nil
Dr. T. Senthilverl	10,765,575	10,765,575
H. D. S. Amarasuriya	Nil	Nil
K.T.A. Mangala Perera (from 2 <sup>nd</sup> April 2012)	Nil	N/A
Alagarajah Rajaratnam (from 27 <sup>th</sup> June 2012)	Nil	N/A



**C.W. Mackie PLC**  
**Notes to the Interim Financial Statements (Contd.)**

**7. Share Information (Contd.)**

**7.4 Share Price**

	<b>3 months to 30<sup>th</sup> September 2012 Rs.</b>	<b>3 months to 30<sup>th</sup> September 2011 Rs.</b>
Highest Price	80.00	106.00
Lowest Price	55.00	79.00
Last Traded Price	76.60	102.20

**7.5** Stated Capital of the Company represents 35,988,556 ordinary shares.

Signed  
**W. T. Ellawala**  
Chairman/Chief Executive Officer

Signed  
**C. R. Ranasinghe**  
Director/Company Secretary

Colombo, 1<sup>st</sup> November 2012

**REGISTERED OFFICE**  
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**DIRECTORS**  
W. T. Ellawala, Ms. C. R. Ranasinghe, A.M. de S. Jayaratne  
R. C. Peries, Anushman Rajaratnam, S. D. R. Arudpragasam, Dr. T. Senthilverl  
H. D. S. Amarasuriya, K.T.A. Mangala Perera, Alagarajah Rajaratnam